



NICOTRA  
CATRABONE  
CATRABONE  
& ASSOCIATES

James J. Wagner  
financial consultant  
Titusville: (814) 827-7441  
fax (814) 827-9609  
Erie: (814) 835-8333  
fax (814) 835-8322  
www.nccfinancial.com  
james@nccfinancial.com

July 31, 2007

Frank R. Burnette, Principal & Senior Consultant  
Morrison Fiduciary Advisors, Inc.  
Scott Towne Center  
2101 Greentree Road, Suite A-113  
Pittsburgh, Pa. 15220-1400

Dear Frank,

As I indicated last week, to both you and the Police Department Pension Board, I had delayed sending out this material until the quarterly pension board meetings. My purpose in waiting was to see that you had the most current information and you will have that for the Police but not for the Fire department. The Fire Department was supposed to meet this morning but did not have a quorum and so the meeting has been re-scheduled for August 9, 2007. After they meet I will send you the quarterly performance as well as any other up-dated information.

Let me respond to your letter in the order you presented:

- 1) We do not have an informational brochure describing our organization nor do we have an ADV pertinent to these accounts. I have been serving as the broker on these accounts for going on twenty years and I make recommendations to the boards and execute transactions.

In addition I make other recommendations to them from time to time on related matters and provide informational/training sessions for any interested board members. These sessions are provided whenever a new board member is appointed or when requested by a current board member.

Securities are offered by our firm through Commonwealth Financial Network, Member NASD, SIPC. Prior to this year I was affiliated with Royal Alliance Associates since 1988.

- 2) Current contact persons for these accounts would be:



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james@nccfinancial.com

Robert Nicotra  
Nicotra, Catrabone, Catrabone & Associates  
1312 Peninsula Drive  
Erie, Pa. 16505

814-835-8333  
robert@nccfinancial.com

and

James J. Wagner  
Nicotra, Catrabone, Catrabone & Associates  
117 North Franklin Street  
Titusville, Pa. 16354

814-827-7441 and 814-271-9018 (cell)  
robert@nccfinancial.com--- same for both of us in these matters.

- 3) I have enclosed copies for you of the quarterly summaries for the last five years as requested. These summaries are for the equity accounts only as we did not do one for the fixed accounts. Some of the assets for the fixed accounts are held at Northwest Savings Bank and we have reviewed the administrators reports relative to the Fixed accounts in the past.

The summaries represent the information that the board has asked to have presented to them. Other, more detailed formats have been presented in the past but they have always come back to these summaries. Late in 2006 there was a request by the board to see some different formats and the 2007 reports show significant changes.

- 4) We have never kept a record of the allocations to domestic equities, foreign equities and fixed income. We periodically ran internal reports on those positions and used them for re-allocation purposes and to provide a periodic up-date to the board during our comment period.
- 5) As we discussed previously, no investment contract exists with the Pension Boards. We do not charge a management fee but we typically charge a 1% commission on trades of individual issues.



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On mutual fund trades we normally use A shares and are compensated per the prospectus. The vast majority of the time we have been able to aggregate trades to qualify for the \$1,000,000 break and in those rare instances when we could not, we have had the boards address those trades individually at the respective break.

Many years ago we also made an investment for the police in a Krupp Insured Limited Partnership and were paid according to the prospectus on that as well.

As you are aware, mutual funds have their own internal expenses and we use the American Funds group as much as possible, not only for the great performance we have gotten from them, but for their low fees as well. Our most significant compensation on these plans is from the 12b-1 fees, the amount of which fluctuates based upon what we have in the funds throughout the year. As I assume you know, American Funds charges a 25% 12-b1 fee which is then paid to Commonwealth. We then we get our percentage, which again can vary from year to year.

- 6) Enclosed are copies of the Investment Policies for the various accounts. We alerted the boards last fall that we would probably be suggesting a change in the equity allocations to reflect a minimum allocation to international stocks of 10%. We made that recommendation to the Police Board last week and were planning on recommending the same to the Fire Department Board today and will do so when they meet.

The Police Board tabled a vote on that recommendation for two reasons: the first was to wait and see how that fit in with your report and the second was a concern on the part of Mayor Sanford as to why there should be any minimums at all.

- 7) In regards to your request for duplicate statements on these accounts, we will be in touch with each of the plan administrators and request that they send us such a request in writing. In the meantime we will send you a copy of the July, 2007 statements when they become available and the request from the plan administrators should be able to be processed in time for the August, 2007 statements.



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As we discussed last week, I am aware that Jim Nystrom has offered to meet with you and share his folders on the Police Plan. His information, as well as Mark Mehlenbacher's on the Fire Department, will be the most complete. I will also be happy to meet with you in Titusville or Pittsburgh in an attempt to answer any questions that you may have on the accounts.

We have been very fortunate to work with these accounts and I have reason to believe that the Plans feel the same way about our performance. As you may be aware, we advised the Boards to go to their minimum permitted investments in stocks prior to the "crash" and they were therefore able to weather that storm very well---on a relative basis. In 2004 we moved aggressively back into stocks for all of the accounts and on the equity accounts we went to our upper limits for both international and small-cap stocks. These moves once again proved to be the right place to be and the plans responded accordingly.

In early 2007 we indicated to the boards that while we did not see a return to a bear market we did have significant concerns regarding a market correction. In this regards we had positioned the fixed accounts much more conservatively and the Police Board elected to reduce their stock positions in the Equity account while the Fire Department Board chose to ride the market. We feel that these plans have benefited greatly from being investors and not traders and by taking diversified positions in the markets. I look forward to seeing your evaluation of the plans and, in the meantime, I anticipate that we will be having further discussions to either provide additional information or clarify already submitted information.

Sincerely yours,

James J. Wagner

Cc: Mary Ann Nau, Plan Administrators